

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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CRYE PRECISION, LLC, and :
LINEWEIGHT LLC, :

Plaintiffs, : CIVIL ACTION NO 15-cv-1681 (DLC)

v. :

DURO TEXTILES, LLC, :

Defendant. :

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**STATEMENT OF MATERIAL FACTS
IN SUPPORT OF DEFENDANT DURO TEXTILES, LLC'S
MOTION FOR SUMMARY JUDGMENT**

Respectfully submitted,

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Dated: October 23, 2015

Pursuant to Rule 56.1(a) of the Local Civil Rules of the United States District Court for the Southern District of New York and in support of its Motion for Summary Judgment, Defendant Duro Textiles, LLC (“Duro”) submits this Statement of Material Facts as to which there is no genuine issue to be tried, as follows:

I. THE PARTIES

1. Plaintiffs Crye Precision LLC and Lineweight LLC (together, “Crye”) are New York limited liability companies. Amended Complaint (“A.C.”), Dkt. No. 56, ¶¶ 6-7.

2. Defendant Duro Textiles, LLC (“Duro”) is a Delaware limited liability company. A.C. ¶ 8; Answer, Dkt. No. 64, ¶ 8.

II. CRYE DEVELOPS THE SCORPION AND MULTICAM CAMOUFLAGE PATTERNS

3. Lineweight is the purported owner and Crye is the purported exclusive licensee of U.S. Design Patent Nos. 487,848 (the “‘848 Patent”); 592,861 (the “‘861 Patent”); 560,915 (the “‘915 Patent”); and 572,909 (the “‘909 Patent”) (collectively, the “Crye Patents”), which are generally directed to camouflage patterns. Answer ¶¶ 4-5 & Exs. D-G.

4. The ‘848 Patent is directed to a camouflage pattern known as Scorpion, which Crye developed for the U.S. Army under a government contract in the early 2000s. Answer Ex. D.

5. The ‘848 Patent states that “[t]he U.S. Government has a paid-up license in this invention and the right in limited circumstances to require the patent owner to license others on reasonable terms as provided for by the terms of contract No. DAAD16-01-C-0061 awarded by the US Army Robert Morris Acquisition Natick Contracting Division of the United States Department of Defense.” Answer Ex. D.

6. Crye developed a different camouflage pattern called MULTICAM shortly after it developed Scorpion. A.C. ¶ 11.

7. Crye claims that MULTICAM is the “subject of” Crye’s ‘861 Patent. Verified Complaint, Ex. B to Duro’s Notice of Removal, Dkt. No. 1-2, ¶ 13.

III. CRYE LICENSES MULTICAM TO DURO

8. Crye licenses printers to print and sell fabric in the MULTICAM pattern, both for products sold commercially and for use in the manufacture of uniforms and other equipment for the U.S. Military. A.C. ¶ 13.

9. In 2008, Crye appointed Duro as the exclusive distributor of MULTICAM for a two-year period in connection with both government and commercial sales (the “2008 License Agreement”). A.C. ¶ 26.

10. In 2010, the U.S. government selected MULTICAM as the standard issue camouflage pattern for soldiers deployed in Afghanistan, and renamed it “Operation Enduring Freedom Camouflage Pattern.” A.C. ¶ 18.

11. On expiration of the 2008 License Agreement in 2010, Crye granted Duro a non-exclusive license to print and sell MULTICAM in connection with government sales, and once again granted Duro an exclusive license to print and sell MULTICAM commercially (the “2010 License Agreement”). A.C. ¶¶ 29-30.

12. On expiration of the 2010 License Agreement in 2012, Crye granted Duro the same license for another two-year term, on a non-exclusive basis in connection with government sales and exclusively with respect to commercial sales (the “2012 License Agreement”). A.C. ¶¶ 39-40.

13. A copy of the 2012 License Agreement is attached as Exhibit B to Crye's Amended Complaint. A.C. Ex. B, Dkt. No. 56-2.

14. Section 3(h) of the 2012 License Agreement provides:

Intellectual Property. [Duro] acknowledges and agrees that it will not disassemble, decompile, or reverse engineer MULTICAM or any other intellectual property right of CRYE, including patent, trademark and copyrights, licensed from CRYE or, during or after the term or expiration of this Agreement, make any products that are similar to MULTICAM through color palette, pattern or arrangement or placement of any elements incorporated in MULTICAM. Furthermore, [Duro] agrees that it shall not make any additions to, new renderings of, or modifications, embellishments, derivative works or other changes of or to MULTICAM or any other intellectual property rights of CRYE without CRYE's prior written consent and [Duro] agrees that all such additions, renderings, modifications, embellishments, derivative works or otherwise shall be and remain the sole property of CRYE.

Id.

15. The 2012 License Agreement provides that it is governed by New York law. *Id.* § 14(d).

16. The 2012 License Agreement expired on April 10, 2014. A.C. ¶ 39.

IV. THE ARMY DEVELOPS SCORPION W2

17. Recently, the Army developed a new camouflage pattern derived from the original Scorpion design, called Scorpion W2, which is a magnified version of Scorpion. O'Neill Decl. ¶ 7.

18. Crye admits that the government created Scorpion W2. A.C. ¶ 48.

19. The government has filed four utility patent applications directed to Scorpion W2, two of which issued this year: (1) U.S. Patent Application No. 14/569,317, filed on December 12, 2014 and issued as U.S. Patent No. 9,062,938 (the "938 Patent") on June 23, 2015; (2) U.S.

Patent Application No. 14/721,388, filed on May 26, 2015, which claims the benefit of 14/569,317; (3) U.S. Patent Application No. 14/569,158, filed on December 12, 2014 and issued as U.S. Patent No. 9,074,849 (the “’849 Patent”) on July 7, 2015; and (4) U.S. Patent Application No. 14/717,270, filed on May 20, 2015, which claims the benefit of 14/569,158. Answer ¶ 94 & Ex. C; Estevez Decl., Exs. A-C.

20. The U.S. Patent and Trademark Office granted the ‘938 and ‘849 Patents over the MULTICAM prior art design patent. *See* ‘938 Patent, References Cited; ‘849 Patent, col. 4 ll. 14-16.

21. Both patents provide that “[t]he invention described herein may be manufactured and used by or for the U.S. Government for governmental purposes without the payment of any royalties thereon or therefor” and extensively describe the difference between the Scorpion W2 pattern and the MULTICAM pattern. *See* ‘938 Patent, col. 1 ll. 5-8, col. 12 ll. 14-27, col. 13 ll. 4-8, 28-34, col. 17 ll. 34-47; ‘849 Patent, col. 1 ll. 5-8, col. 12 ll. 31-34, col. 13 ll. 11-15, 34-40, col. 17 ll. 41-55.

22. The government claims exclusive ownership of and rights to Scorpion W2. *See* ‘938 Patent, Assignee; ‘849 Patent, Assignee.

V. THE GOVERNMENT’S SWITCH FROM MULTICAM TO SCORPION W2

23. In 2014, the government announced a switch from MULTICAM to Scorpion W2 as the Army’s official camouflage pattern, and calls it Operational Camouflage Pattern (“OCP”). A.C. ¶ 47; *see* Machado Decl. ¶ 1.

24. Although the government had been using Crye’s MULTICAM design as its camouflage pattern of choice prior to that time, it decided not to continue with MULTICAM. A.C. ¶¶ 19, 47.

25. Since 2014, the government has been ordering Scorpion W2 through various prime contracts. *See* Machado Decl. ¶ 5, Exs. 1-6.

26. Duro is one of the suppliers of fabric printed in the Scorpion W2 pattern for the government through those prime contractors and their subcontractors, which are ordering the OCP/Scorpion W2 pattern by name. Machado Decl. ¶¶ 3-5.

27. The government is currently allowing the costs that other printers are paying for royalties to Crye for Scorpion W2 sales as a line item passed up through prime contractors. Duro is not including royalties on Scorpion W2 to Crye as one of its costs. Machado Decl. ¶ 6.

28. To date, Duro's only sales of Scorpion W2 have been for the government, to other government contractors and subcontractors in the supply chain for the Army. Machado Decl. ¶¶ 3-4.

VI. CRYE SUES DURO FOR BREACH OF THE 2012 LICENSE AGREEMENT BASED ON DURO'S PRINTING AND SALES OF SCORPION W2

29. Crye filed the present action on February 17, 2015 by way of a Verified Complaint in New York state court. *See* Ex. B to Duro's Notice of Removal, Dkt. No. 1-2.

30. Duro removed the action to this Court on March 6, 2015. Notice of Removal, Dkt. No. 1.

31. In the currently operative version of Crye's complaint against Duro, Crye alleges that the 2012 License Agreement prohibits Duro from "printing MULTICAM or any 'products that are similar to MULTICAM through color palette, pattern or arrangement or placement of any elements incorporated in MULTICAM'" A.C. ¶ 3 (quoting from § 3(h) of the contract).

32. Crye alleges as Count I that Scorpion W2 is "similar to MULTICAM," and therefore Duro's printing and selling Scorpion W2 breaches § 3(h) of the 2012 License Agreement, which Crye calls "the Non-Compete." A.C. ¶¶ 67-68.

33. As relief for Count I, Crye has requested both money damages and injunctive relief. A.C. ¶¶ 69-70 & Prayer for Relief ¶ 3.

34. The Court has dismissed any claim for injunctive relief under Count I as barred by 28 U.S.C. § 1498(a). Op. & Order at 18-20, Dkt. No. 50, June 16, 2015.

VII. CRYE ALSO ALLEGES DURO'S PRINTING AND SALE OF SCORPION W2 CONSTITUTES TRADE DRESS INFRINGEMENT AND UNFAIR COMPETITION

35. Count II of Crye's Amended Complaint is a claim for Trade Dress Infringement, Unfair Competition and False Designation of Origin in violation of 15 U.S.C. § 1125(a). A.C. ¶¶ 89-103.

36. Crye asserts that "[t]he MULTICAM pattern and MULTICAM Trade Dress possess a combination of numerous design elements in a unique format to create a highly distinctive overall impression." A.C. ¶ 90.

37. Crye alleges that MULTICAM has acquired a secondary meaning. A.C. ¶ 92.

38. Crye claims that Scorpion W2 "mimic[s] a combination of several elements of [the MULTICAM] Trade Dress" and therefore "Duro's manufacture, distribution, and sale of Scorpion W2 products is likely to cause confusion, to cause mistake, or to deceive as to the origin, sponsorship, or approval by Crye of Duro's goods" A.C. ¶ 94.

39. Crye has not alleged that it is a printer capable of printing Scorpion W2 for the government itself and has acknowledged that it is receiving royalties from some of its other licensees for Scorpion W2 sales. *See generally* A.C.; *id.* ¶¶ 54-55.

40. Crye's third claim for relief alleges Common Law Unfair Competition (Palming Off and Misappropriation). A.C. ¶¶ 104-114.

Dated: October 23, 2015

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